

Corinne City Corporation
Corinne, Utah

Financial Statements

For the Year Ended June 30, 2005

Ulrich & Associates, PC
Certified Public Accountants
Ogden, Utah

Corinne City Corporation

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June 30, 2005

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Ulrich & Associates, PC

Certified Public Accountants INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council
Corinne City Corporation
Corinne, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Corinne City Corporation, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Corinne City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Corinne City Corporation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2005 on our consideration of Corinne City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ulrich & Associates, P.C.

September 13, 2005

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Corinne City Corporation
Management's Discussion and Analysis
June 30, 2005

As management of the Corinne City, we offer readers of the Corinne City's financial statements this narrative overview and analysis of the financial activities of the Corinne City for the fiscal year ended June 30, 2005.

Financial highlights

The total net assets of \$1,430,713 is made up of \$1,156,932 in capital assets less related debt of \$119,395, and other net assets of \$393,175.

In the Enterprise Fund, operating expenditures exceeded operating revenue by \$939. This includes a non-cash charge for depreciation of \$33,598.

Total long-term liabilities of the City were reduced by \$9,729.

Reporting the City as a whole

This discussion and analysis is intended to serve as an introduction to the Corinne City's basic financial statements. The Corinne City's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also include other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Corinne City's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of Corinne City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Corinne City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurred, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Corinne City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on the pages directly following this report.

Corinne City Corporation
Management's Discussion and Analysis
June 30, 2005

Reporting the City's most significant funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Corinne City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the City funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund and the capital projects fund.

Proprietary funds - Corinne City maintains four types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Corinne City uses enterprise funds to account for its Water Fund, Sewer Fund, Garbage Fund and Irrigation Fund.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

Government-wide financial analysis

The City's financial position continues to be strong. However, infrastructure concerns need to be funded and addressed. The City raised the basic water fee to help address these concerns. Noted concerns include: replacement of main sewer lift station, repair of water storage facility, securing the water facilities, providing for a remote notification system of problems in the sewer and water systems, and meeting the needs of future growth. The City is taking reasonable measures to assure that needed funding is in place to take care of these issues. Much of the growth can be funded using impact fees which must be used on the related system. Grants have been provided from other sources to assist the City in this effort. A recent FEMA grant provides the opportunity for the City to purchase a new fire truck by paying only 10 percent of the total price. Any new projects or changes to planned projects will be noted in the budget available at the City office.

Corinne City Corporation
Management's Discussion and Analysis
June 30, 2005

Statement of net assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 281,632	226,935	136,647	285,262
Capital assets	91,314	77,502	1,065,619	1,026,454
Total assets	372,946	304,437	1,202,266	1,311,716
Long-term debt outstanding	-	-	119,395	129,124
Other liabilities	12,657	58,110	12,447	20,221
Total liabilities	12,657	58,110	131,842	149,345
Net assets:				
Invested in capital assets, net of debt	91,314	77,502	946,224	886,619
Restricted	68,761	53,192	38,577	34,577
Unrestricted	200,214	99,975	85,623	241,175
Total net assets	\$ 360,289	230,669	1,070,424	1,162,371

Corinne City Corporation
Management's Discussion and Analysis
June 30, 2005

Changes in net assets

	Governmental Activities 2005	Business- Type Activities 2005
Revenues:		
Program revenues:		
Charges for services	\$ 29,062	127,099
Operating grants & contributions	38,304	-
General revenues:		
Property taxes	39,372	-
Other taxes	120,606	-
Interest income	1,689	283
Total revenues	<u>229,033</u>	<u>127,382</u>
Expenses:		
General government	160,595	-
Public safety	3,364	-
Highways/public improvements	13,247	-
Parks & recreation	12,207	-
Water & waste collection	-	128,038
Total expenses	<u>189,413</u>	<u>128,038</u>
Transfer in (out)	90,000	(90,000)
Impact fees	-	3,200
Interest expense	-	(4,491)
Increase (decrease) in net assets	129,620	(91,947)
Net assets, beginning of year, as adjusted	<u>230,669</u>	<u>1,162,371</u>
Net assets, end of year	<u><u>\$ 360,289</u></u>	<u><u>1,070,424</u></u>

Corinne City Corporation
Management's Discussion and Analysis
June 30, 2005

Financial analysis of government's funds

Recent government regulations have significantly increased the City's operating costs for funds. To date no adjustment for the increase to the sewer has been made, pending resolution of the cost to build a new lift station to meet the City's growing needs and to bring practices into compliance with government regulations. The City is in process of replacing the main sewer lift station, a project with an anticipated completion in the spring of 2006. Funding for a water system upgrade to older system lines is also being pursued by the City to upgrade the cemetery loop and 4400 lines to 8" and add necessary hydrant protection. No impact on the City water fund is anticipated due to a recent increase in the base rate. The sewer project and need to cover operating expense will require immediate action by the City.

General fund budgetary highlights

During the fiscal year the General Fund's original budget was amended from an original budget expenditure total of \$328,737 to a final budget of \$326,892 (.5%). These decreases were made in anticipation of lower revenue received for property taxes. The County reduced the business tax levy midway through the year.

Capital asset and debt administration

Capital assets - The Corinne City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$17,740 of machinery and equipment and \$82,826 in general government improvements. The total increase in the City's investment in fixed assets for the current year was 4.84% (due to a combination of purchases and depreciation). Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

Major capital asset events during the current fiscal year included the following:

- \$15,472 for fire truck improvements in the general fund
- \$2,268 for public safety equipment
- \$10,062 for fire station improvements
- \$67,646 for meter reading equipment in the water fund
- \$5,118 for irrigation improvements

Corinne City Corporation
Management's Discussion and Analysis
June 30, 2005

	<u>Corinne City's Capital Assets</u>	
	Governmental Activities 2005	Business- Type Activities 2005
Land	\$ 18,965	10,711
Water Stock and Rights	-	-
Buildings	88,334	-
Improvements	40,566	26,537
Utility improvements	-	1,572,662
Machinery and equipment	80,475	24,722
Less: Accumulated depreciation	(137,026)	(569,013)
Total	<u>\$ 91,314</u>	<u>1,065,619</u>

Additional information on the City's capital assets can be found in the footnotes of this report.

Long-term debt

At June 30, 2005, the City had total bonded debt outstanding of \$119,395. This debt is secured solely by specific revenue sources (i.e., revenue bonds).

	<u>Corinne City's Long-Term Debt</u>	Business- Type Activities 2005
Water revenue bonds		\$ 95,465
Sewer revenue bonds		23,930
		<u>\$ 119,395</u>

The City's total debt decreased by \$9,729 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

BASIC FINANCIAL STATEMENTS

Corinne City Corporation

Statement of Net Assets

June 30, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 211,309	118,987	330,296
Accounts receivable - net	70,323	7,660	77,983
Due from other funds	-	4,000	4,000
Other current assets	-	-	-
Investment in water stock	-	6,000	6,000
Capital assets (net of accumulated depreciation):			
Land	18,965	10,711	29,676
Buildings	14,723	-	14,723
Improvements	35,235	1,052,952	1,088,187
Machinery and equipment	22,391	1,956	24,347
Total assets	<u>372,946</u>	<u>1,202,266</u>	<u>1,575,212</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	12,657	8,447	21,104
Due to other funds	-	4,000	4,000
Loan payable revenue bonds - current	-	10,154	10,154
Loan payable revenue bonds - noncurrent	-	109,241	109,241
Total liabilities	<u>12,657</u>	<u>131,842</u>	<u>144,499</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	91,314	946,224	1,037,538
Restricted for debt	-	38,577	38,577
Restricted for class C road	68,761	-	68,761
Unrestricted	200,214	85,623	285,837
Total net assets	<u>\$ 360,289</u>	<u>1,070,424</u>	<u>1,430,713</u>

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation
Statement of Activities
For the Year Ended June 30, 2005

Function/Programs	Program Revenues			Primary Government		
	Charges for		Operating	Governmental Activities	Business-type Activities	Total
	Expenses	Services	Grants and Contributions			
Primary government:						
Governmental activities:						
General government	\$ 160,595	29,062	-	(131,533)	-	(131,533)
Public safety	3,364	-	954	(2,410)	-	(2,410)
Highways and public improvements	13,247	-	37,350	24,103	-	24,103
Parks and recreation	12,207	-	-	(12,207)	-	(12,207)
Total governmental activities	189,413	29,062	38,304	(122,047)	-	(122,047)
Business-type activities:						
Water fund	51,039	63,469	-	-	12,430	12,430
Sewer fund	40,817	28,630	-	-	(12,187)	(12,187)
Garbage fund	26,661	25,840	-	-	(821)	(821)
Irrigation fund	9,521	9,160	-	-	(361)	(361)
Total business-type activities	128,038	127,099	-	-	(939)	(939)
Total primary government	317,451	156,161	38,304	(122,047)	(939)	(122,986)
General revenues:						
Property taxes				39,372	-	39,372
General sales and use tax				74,057	-	74,057
Energy tax				46,549	-	46,549
Impact fees				-	3,200	3,200
Transfers				90,000	(90,000)	-
Net interest earnings (expense)				1,689	(4,208)	(2,519)
Total general revenues				251,667	(91,008)	160,659
Change in net assets				129,620	(91,947)	37,673
Net assets - beginning, as adjusted				230,669	1,162,371	1,393,040
Net assets - ending				\$ 360,289	1,070,424	1,430,713

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation

Balance Sheet

Governmental Funds

For the Year Ended June 30, 2005

	General Fund	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 7,491	135,057	142,548
Receivables (net):			
Taxes	70,323	-	70,323
Restricted assets - cash	68,761	-	68,761
Other assets	-	-	-
Due from other funds	-	-	-
	<u>146,575</u>	<u>135,057</u>	<u>281,632</u>
Total assets			
	<u>146,575</u>	<u>135,057</u>	<u>281,632</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	12,657	-	12,657
Due to other funds	-	-	-
Deferred revenue	43,026	-	43,026
	<u>55,683</u>	<u>-</u>	<u>55,683</u>
Total liabilities			
	<u>55,683</u>	<u>-</u>	<u>55,683</u>
Fund balances:			
Reserved for:			
Roads	68,761	-	68,761
Unreserved, reported in:			
General fund	22,131	-	22,131
Capital projects funds	-	135,057	135,057
	<u>90,892</u>	<u>135,057</u>	<u>225,949</u>
Total fund balances			
	<u>90,892</u>	<u>135,057</u>	<u>225,949</u>
Total liabilities and fund balances	\$ 146,575	135,057	281,632
	<u>\$ 146,575</u>	<u>135,057</u>	<u>281,632</u>

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation
Balance Sheet Reconciliation to Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types:	\$ 225,949
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	91,314
Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds	43,026
Net assets of government activities	<u>\$ 360,289</u>

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General Fund	Capital Projects	Total Governmental Funds
<u>Revenues</u>			
Taxes	\$ 160,073	-	160,073
Licenses and permits	10,732	-	10,732
Intergovernmental	38,304	-	38,304
Charges for services	16,695	-	16,695
Interest	1,689	-	1,689
Miscellaneous revenue	1,635	-	1,635
Total revenues	229,128	-	229,128
<u>Expenditures</u>			
Current:			
General government	128,719	22,607	151,326
Public safety	31,166	-	31,166
Highways and public works	13,247	-	13,247
Parks and recreation	7,486	-	7,486
Total expenditures	180,618	22,607	203,225
Excess revenues over (under) expenditures	48,510	(22,607)	25,903
<u>Other Financing Sources (Uses)</u>			
Transfers in (out)	(30,000)	120,000	90,000
Total other financing source (uses)	(30,000)	120,000	90,000
Excess of revenues and other sources over (under) expenditures and other uses	18,510	97,393	115,903
Fund balances - beginning of year, as adjusted	72,382	37,664	110,046
Fund balances - end of year	\$ 90,892	135,057	225,949

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation
Statement of Changes Reconciliation to Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 115,903
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	13,812
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(95)
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Change in net assets of governmental activities	<u>\$ 129,620</u>
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The notes to the financial statements are an integral part of this statement.

Corinne City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Taxes	\$ 160,000	160,600	160,073	(527)
Licenses and permits	10,250	10,540	10,732	192
Intergovernmental	46,000	40,700	38,304	(2,396)
Charges for services	18,250	28,410	16,695	(11,715)
Interest	600	1,200	1,689	489
Miscellaneous revenue	2,900	2,400	1,635	(765)
Total revenues	238,000	243,850	229,128	(14,722)
<u>Expenditures</u>				
Current:				
General government	119,642	135,797	128,719	7,078
Public safety	54,410	45,410	31,166	14,244
Highways and public works	101,412	96,412	13,247	83,165
Parks and recreation	9,175	8,525	7,486	1,039
Total expenditures	284,639	286,144	180,618	105,526
Excess revenues over (under)				
expenditures	(46,639)	(42,294)	48,510	90,804
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(30,000)	(30,000)	(30,000)	-
Total other financing sources and uses	(30,000)	(30,000)	(30,000)	-
Excess of revenues and other sources				
over (under) expenditures and other uses	(76,639)	(72,294)	18,510	90,804
Fund balances - beginning of year, as adjusted	72,382	72,382	72,382	-
Fund balances - end of year	\$ (4,257)	88	90,892	90,804

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Business-Type Activities - Enterprise				
	Water Fund	Sewer Fund	Garbage Fund	Irrigation Fund	Total
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 15,746	62,343	483	1,838	80,410
Accounts receivable - net	3,008	1,937	2,623	92	7,660
Other current assets	-	-	-	-	-
Total current assets	18,754	64,280	3,106	1,930	88,070
Noncurrent assets:					
Restricted cash and cash equivalents	26,928	11,649	-	-	38,577
Due from other funds	4,000	-	-	-	4,000
Investment in water stock	-	-	-	6,000	6,000
Land, equipment, buildings and improv.	967,653	639,590	-	27,388	1,634,631
Less: accumulated depreciation	(345,263)	(218,305)	-	(5,444)	(569,012)
Total noncurrent assets	653,318	432,934	-	27,944	1,114,196
Total assets	672,072	497,214	3,106	29,874	1,202,266
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable and accrued liabilities	3,065	1,219	3,244	919	8,447
Due to other funds	-	-	-	4,000	4,000
Current portion revenue bonds	6,154	4,000	-	-	10,154
Total current liabilities	9,219	5,219	3,244	4,919	22,601
Noncurrent liabilities:					
Revenue bonds (net of current portion)	89,311	19,930	-	-	109,241
Total noncurrent liabilities	89,311	19,930	-	-	109,241
Total liabilities	98,530	25,149	3,244	4,919	131,842
Net assets:					
Invested in capital assets, net					
of related debt	526,925	397,355	-	21,944	946,224
Restricted for debt reserve	26,928	11,649	-	-	38,577
Unrestricted	19,689	63,061	(138)	3,011	85,623
Total net assets	573,542	472,065	(138)	24,955	1,070,424
Total liabilities and net assets	\$ 672,072	497,214	3,106	29,874	1,202,266

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				
	Public Utility Funds				
	Water Fund	Sewer Fund	Garbage Fund	Irrigation Fund	Total
<u>Operating Revenues</u>					
Charges for services	\$ 63,469	28,630	25,840	9,160	127,099
Miscellaneous	-	-	-	-	-
Total operating revenues	63,469	28,630	25,840	9,160	127,099
<u>Operating Expenses</u>					
Salaries and wages	22,710	7,570	-	1,514	31,794
Maintenance and supplies	12,839	16,065	26,661	7,081	62,646
Depreciation and amortization	15,490	17,182	-	926	33,598
Total operating expenses	51,039	40,817	26,661	9,521	128,038
Operating income	12,430	(12,187)	(821)	(361)	(939)
<u>Nonoperating Revenues (Expenses)</u>					
Interest revenue	134	149	-	-	283
Interest expense and fiscal charges	(3,194)	(1,297)	-	-	(4,491)
Impact fees	1,000	2,200	-	-	3,200
Total nonoperating revenues (expenses)	(2,060)	1,052	-	-	(1,008)
Transfers in (out)	(30,000)	(38,000)	(22,000)	-	(90,000)
Change in net assets	(19,630)	(49,135)	(22,821)	(361)	(91,947)
Total net assets - beginning	593,172	521,200	22,683	25,316	1,162,371
Total net assets - ending	\$573,542	472,065	(138)	24,955	1,070,424

The notes to the financial statements are an integral part of this statement.

Corinne City Corporation

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Irrigation Fund
				Total
Cash flows from operating activities				
Receipts from customers	\$ 67,916	29,680	25,971	9,124
Payments to suppliers	(493)	(8,158)	(25,714)	(654)
Payments to employees	(22,710)	(7,570)	-	(1,514)
Net cash provided (used) by operating activities	44,713	13,952	257	6,956
				65,878
Cash flows from capital and related financing activities				
Purchases of capital assets	(67,645)	-	-	(5,118)
Proceeds from impact fees	1,000	2,200	-	-
Principal paid on capital debt	(5,729)	(4,000)	-	-
Transfers to other funds	(30,000)	(38,000)	(22,000)	-
Interest paid on capital debt	(3,194)	(1,297)	-	-
Net cash provided (used) by capital and related financing activities	(105,568)	(41,097)	(22,000)	(5,118)
				(173,783)
Cash flows from investing activities				
Interest and dividends received	134	149	-	-
Net cash provided (used) by investing activities	134	149	-	-
				283
Net increase (decrease) in cash and cash equivalents	(60,721)	(26,996)	(21,743)	1,838
Cash and cash equivalents - beginning	103,395	100,988	22,226	-
Cash and cash equivalents (deficit) - end	\$ 42,674	73,992	483	1,838
				118,987

Corinne City Corporation
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Irrigation Fund
	\$ 12,430	(12,187)	(821)	(361)
				(939)
	15,490	17,182	-	926
	4,447	1,050	131	(36)
	33,480	16,054	-	3,023
	1,775	1,775	-	593
	1,057	(138)	947	885
	(23,966)	(9,784)	-	1,926
	32,283	26,139	1,078	7,317
	\$ 44,713	13,952	257	6,956
				65,878

Reconciliation of operating income to net cash provided

(used) by operating activities:

Operating income

Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Depreciation expense

(Increase)/decrease in accounts receivable

(Increase)/decrease in due from other funds

(Increase)/decrease in other current assets

Increase (decrease) in accounts payable

Increase (decrease) in due to other funds

Total adjustments

Net cash provided (used) by operating activities

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Corinne City Corporation
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City is a municipal corporation governed by an elected mayor and multi member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the City's financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects* fund is used to account for financial resources used in the acquisition and construction of major capital improvements.

The City reports the following major proprietary funds:

The *water fund* accounts for the operations of the City's water system.

The *sewer fund* accounts for the operations of the City's sewer system.

The *garbage fund* accounts for the operations of the City's garbage system.

The *irrigation fund* accounts for the operations of the City's irrigation system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance.

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise funds are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

Property taxes are collected by the County Treasurer and remitted to the City shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly.

3. Restricted cash and cash equivalents

Certain resources of the City's water and sewer enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants. Additionally, the City restricts resources for B & C roads not previously expended.

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
Infrastructure	15-30
System infrastructure	30
Vehicles	5
Equipment	7

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies - Continued

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund equity/Net assets

Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Note 2 - Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 228,340
Accumulated depreciation	<u>(137,026)</u>
Total difference	<u>\$ 91,314</u>

Deferred revenue:

Long-term assets applicable to the City's governmental activities are not available to pay for current expenditures and thus are deferred in government funds. The statement of net assets includes these as revenue:

Deferred revenue - property taxes	\$ 43,026
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Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 2 - Reconciliation of government-wide and fund financial statements - Continued

B. Explanation of differences between governmental fund operating statements and the statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 27,802
Depreciation expense	(13,990)
Net difference as reported	<u>\$ 13,812</u>

Note 3 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted in accordance with State law, by the Corinne City Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the City Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, there were no appropriation made.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 4 - Detailed Notes on all Funds

Deposits and investments

The City maintains one cash account which is available for use by all funds. Additionally, the City utilizes certificates of deposits. The City has no investments at this time.

The City's deposit and investment policy is to follow the Utah Money Management Act.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirement which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the City had the following deposits and investments:

	<u>Fair value</u>
Cash on deposit	\$ 332,979

Interest rate risk The City manages its exposure to declines in fair value by only investing in certificates of deposit.

Custodial credit risk This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$232,979 of the \$332,979 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Captions on the statement of net assets related to cash and investments are as follows:

Cash and cash equivalents	\$ 222,958
Restricted cash and cash equivalents	<u>107,338</u>
Total cash and investments	<u><u>\$ 330,296</u></u>

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 4 - Detailed Notes on all Funds - Continued

Receivables

Receivables as of year end for the government's general and enterprise funds are as follows:

	General	Enterprise	Total
Accounts	\$ -	7,660	7,660
Property tax	3,517	-	3,517
Sales tax	13,305	-	13,305
B & C road revenue	7,719	-	7,719
Deferred Property tax revenue	42,026	-	42,026
Municipal tax	3,756	-	3,756
	<u>\$ 70,323</u>	<u>7,660</u>	<u>77,983</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,965	-	-	18,965
Total capital assets not being depreciated	<u>18,965</u>	<u>-</u>	<u>-</u>	<u>18,965</u>
Capital assets being depreciated:				
Buildings	88,334	-	-	88,334
Improvements	30,504	10,062	-	40,566
Machinery and equipment	62,735	17,740	-	80,475
Total capital assets being depreciated	<u>181,573</u>	<u>27,802</u>	<u>-</u>	<u>209,375</u>
Less accumulated depreciation for:				
Buildings	70,667	2,944	-	73,611
Improvements	2,627	2,704	-	5,331
Machinery and equipment	49,742	8,342	-	58,084
Total accumulated depreciation	<u>123,036</u>	<u>13,990</u>	<u>-</u>	<u>137,026</u>
Total capital assets, being depreciated, net	<u>58,537</u>	<u>13,812</u>	<u>-</u>	<u>72,349</u>
Governmental activities capital assets, net	<u>\$ 77,502</u>	<u>13,812</u>	<u>-</u>	<u>91,314</u>

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 4 - Detailed Notes on all Funds - Continued

Capital assets - continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,711	-	-	10,711
Total capital assets not being depreciated	10,711	-	-	10,711
Capital assets being depreciated:				
Buildings	-	-	-	-
Improvements	21,419	5,118	-	26,537
Utility improvements	1,505,016	67,646	-	1,572,662
Machinery and equipment	24,722	-	-	24,722
Total capital assets being depreciated	1,551,157	72,764	-	1,623,921
Less accumulated depreciation for:				
Improvements	3,752	841	-	4,593
Utility improvements	510,659	30,995	-	541,654
Machinery and equipment	21,003	1,763	-	22,766
Total accumulated depreciation	535,414	33,599	-	569,013
Total capital assets, being depreciated, net	1,015,743	39,165	-	1,054,908
Business-type activities capital assets, net	\$ 1,026,454	39,165	-	1,065,619

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 9,269
Public safety	-
Highways and public improvements	-
Parks and recreation	4,721
Total depreciation expense -governmental activities	13,990

Business-type activities:

Public utilities	33,598
Total depreciation expense - business-type activates	33,598

Total depreciation expense \$ 47,588

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 4 - Detailed Notes on all Funds - Continued

Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Water Fund	\$ 4,000	-
Irrigation Fund	-	4,000
	<u>\$ 4,000</u>	<u>4,000</u>
	<u>Transfer In</u>	<u>Total Transfers</u>
	<u>Capital Projects</u>	<u>Out</u>
Transfer out:		
General Fund	\$ 30,000	30,000
Water Fund	30,000	30,000
Sewer Fund	38,000	38,000
Garbage Fund	22,000	22,000
	<u>\$ 120,000</u>	<u>120,000</u>
Total Transfers in		

Revenue bonds

The City issues bonds when the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the Sewer Revenue Bond 1970 was \$91,200 with annual installments of \$3,000 to \$6,000 due in 2011. The original debt of the Water Revenue Bond 1977 was \$100,000 with monthly installments of \$483, due in 2017. The original debt of the Water Revenue Bond 1999 was \$57,000 with annual installments of \$3,639, due in 2021. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer Revenue Bond 1970	5.00%	\$ 23,930
Water Revenue Bond 1977	5.00%	47,772
Water Revenue Bond 1999	2.45%	47,693
		<u>\$ 119,395</u>

Corinne City Corporation
Notes to Financial Statements - Continued
For the Year Ended June 30, 2005

Note 4 - Detailed Notes on all Funds - Continued

Revenue bond debt service requirements to maturity are as follows:

For the year ending June 30	Principal	Interest
2006	10,154	4,863
2007	10,102	14,532
2008	10,347	3,984
2009	11,603	3,528
2010	11,870	3,012
2011-2015	40,720	8,583
2016-2020	21,052	1,870
2020-2024	3,547	88
Total	<u>\$ 119,395</u>	<u>40,460</u>

Note 4 - Detailed Notes on all Funds - Continued

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Sewer Revenue bonds	\$ 27,930	-	(4,000)	23,930	4,000
Water Revenue bonds	101,194	-	(5,729)	95,465	6,154
Total bonds payable	<u>\$ 129,124</u>	<u>-</u>	<u>(9,729)</u>	<u>119,395</u>	<u>10,154</u>

Note 5 - Other information

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Prior period adjustment

A prior period adjustment was made in the General Fund to reflect additional expenditures in both Class C roads and Fire totaling \$15,658. The adjustment was necessary due to expenditures identified as belonging in a previous period.

SUPPLEMENTARY INFORMATION

Corinne City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Capital Projects
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<u>Revenues</u>				
Interest	\$ -	-	-	-
Miscellaneous revenue	-	178,000	-	(178,000)
Total revenues	-	178,000	-	(178,000)
<u>Expenditures</u>				
Current:				
General government	155,300	335,300	22,607	312,693
Parks and recreation	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	155,300	335,300	22,607	312,693
Excess revenues over (under) expenditures	(155,300)	(157,300)	(22,607)	134,693
<u>Other Financing Sources (Uses)</u>				
Transfers in	120,000	120,000	120,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	120,000	120,000	120,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(35,300)	(37,300)	97,393	134,693
Fund balances - beginning of year	37,664	37,664	37,664	-
Fund balances - end of year	\$ 2,364	364	135,057	134,693

The notes to the financial statements are an integral part of this statement.

OTHER REPORTS

Ulrich & Associates, PC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Members
of the City Council
Corinne City Corporation
Corinne, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Corinne City Corporation as of and for the year ended June 30, 2005, which collectively comprise the Corinne City Corporation's basic financial statements and have issued our report thereon dated September 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corinne City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Because of the size and corresponding availability of resources of Corinne City Corporation, there are not sufficient personnel to accomplish the segregation of duties required to achieve appropriate internal control. Management is attempting to mitigate this condition by implementing certain review and approval procedures. Routine performance of these procedures is needed for internal control objectives to be achieved.

Members of Utah Association of CPAs | American Institute of CPAs

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corinne City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the City Council, management and federal and state awarding agencies. However, this report is a matter of public record and its distribution is not limited.

W. L. Rasmussen, P.C.

September 13, 2005

Ulrich & Associates, PC

Certified Public Accountants

STATE LEGAL COMPLIANCE REPORT

The Honorable Mayor and Members
of the City Council
Corinne City Corporation
Corinne, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remain fund information of Corinne City Corporation for the year ended June 30, 2005 and have issued our report thereon dated September 13, 2005. As part of our audit, we have audited Corinne City Corporation's compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	B & C Road Funds
Purchasing Requirements	Other General Compliance Issues
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation & Property	Impact Fees

The management of the Corinne City Corporation, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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Charles E. Ulrich, CPA | Michael E. Ulrich, CPA
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The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Corinne City Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

W. H. H. & Associates, P.C.

September 13, 2005

Corinne City Corporation
Schedule of Findings
State Legal Compliance
For the Year Ended June 30, 2005

1. Truth in Taxation

Budgeted revenue for property taxes on form TC -693 does not equal the adopted budget for the City. The City's budget for property taxes is \$50,000 and the TC-693 is \$39,216.

Management Response

The City will follow the applicable form in the future.

2. Cash Management

The manner in which receipts records are kept does not allow for a test of compliance with funds being deposited within 3 days.

Management Response

The City will establish policies and procedures to track daily receipts.

3. General Compliance Issues

The City has no record retention policy.

Management Response

The City will properly train employees and adopt a formal policy for records retention.

4. Impact Fees

The City has no formal record of the amount of impact fees collected to date, nor how those fees have been spent.

Management Response

The City will establish policies and procedures to track past and future impact fees.
